

Some small CUs do a disservice to members

The debate over whether small or large credit unions are better and more like what credit unions are supposed to be seems to go on endlessly.

Often the discussion completely ignores the only true measurement of credit union worth—member service. Big is not automatically bad. Small is not automatically good. It's not that simple.

Frequently, the debate is fueled by the banking industry, since it would like to see nothing but small credit unions, especially small credit unions with a single sponsor, limited membership potential, and plain vanilla products and services.

In the minds of bank lobbyists, most large credit unions "have strayed from the original purpose of credit unions." Which was what? To start out small, stay that way, and force the CU's limited number of members to seek all but the most basic financial services elsewhere?

According to the ten commandments of banking, credit unions were never intended to grow and become full service financial institutions for their members. In the minds of bankers, any credit union beyond some asset size decreed by the banking industry—\$5 million, \$10 million, \$25 million, \$50 million—is not really a credit union at all.

Credit union regulators also contribute to the discussion and confusion by frequently making comments along these lines: "Small credit unions are what the credit union movement is all about." Lost in the shuffle of such inflammatory rhetoric, of course, is a far more accurate description that goes something like this: "serving the changing financial needs of members is what credit unions are all about—regardless of size."

Sometimes it seems that certain regulators really believe that larger credit unions don't understand credit union philosophy and operate under a different not-for-profit structure. Or that only small credit unions actually serve the underserved.

Fact is, a handful of larger credit unions serves more poor members in total than all the small credit unions combined. Most large CUs serve the full economic spectrum within their membership. Some say that having well-to-do members helps the CU serve less flush members.

Representatives from small credit unions also have an opinion to voice on the subject. Many consider large credit unions the enemy, maybe even more so from a competitive viewpoint than banks. They feel strongly that members they serve should forever more be in their exclusive domain. They believe strongly in turf protection.

Furthermore, they believe that larger credit unions are determined to swallow them up to gain their field of membership. The look askance at aid offered by large credit unions because they don't want to end up as a branch manager of that CU.

A staff person at a small credit union threatened by a nearby medium-size credit union attempting to expand its service area, actually took the side of the banking industry in a court battle. The argument was all about preventing the larger credit union's expansion into several more counties. Here's what the representative of the smaller credit union said: "I'd rather my members do business with a bank than be served by another credit union."

Mike Welch
Publisher



Any argument over the respective merits of small and large credit unions (assuming the terms can even be defined) is a complete waste of time. There is a place for credit unions of any size, as long as they continue to do a good job of meeting the financial needs of their members.

Unfortunately, some small credit unions don't do that. Instead, they appear to be more interested in meeting the needs of the current board and staff. No wonder some small credit unions have been either the same size, or getting smaller, for years. Both current and former members most likely do most of their "banking" at a bank.

The reason? Because for many years those who set policy for some small CUs, and work there, don't want the credit union to get any larger. "Don't rock the boat" appears to be their slogan. They have decided what is best for the members. Or is it what is best for them?

Of course there are many wonderful small credit unions which are loved and supported by a loyal membership base and admired by credit union people everywhere. But there are also some small credit unions that are frankly doing a disservice to their membership by hanging on to them for dear life for all the wrong reasons.

If current and potential members can be served better by another credit union, they ought to have the free choice to join any credit union for which they are eligible. The credit union doesn't own the members: the members own the credit union.

A concern over who will serve on the board is not a reason to prevent CU members from obtaining better service from another credit union rather than be forced to go to a bank to get it. Nor is who will be CEO or be on the staff.

Another common misconception about credit unions is that the smaller CUs serve poorer members while the larger ones serve well-heeled members. Not true.

One small credit union serves the members of a utility company which, like most utility companies has downsized many times. The remaining employees, though now few in number, all have good-paying jobs. The leadership of its credit union is doggedly hanging on to the declining membership base, all the while pleading that they are a poor little credit union that is vital to its members.

Nonsense! Chances are excellent that most of these members conduct their financial affairs at a bank because they can't get what they need from a credit union that refuses to either grow, or let go.

It's well past the time that the debate between small and large credit unions cease. Discussions should center on who owns the credit union and how they are being served. All credit union members deserve no less.

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